SC177810

SLC Turnberry Limited

Report and Financial Statements

31 December 2010

Directors

Tony Charles Sole	(resigned 1 February 2010)
Abdul Wahid Al Ulama	(resigned 1 February 2010)
Mark Bennett Troy	(appointed 1 February 2010)
Hamza Ali Abdullatif Mustafa	(appointed 1 February 2010)

Secretary

Tony Charles Sole	(resigned 1 February 2010)
Mark Bennett Troy	(appointed 1 February 2010)

Auditors

Ernst & Young LLP
G1
5 George Square
Glasgow G2 1DY

Bankers

Bank of Scotland
17 Dalrymple Street
Girvan
Ayrshire KA26 9EU

Registered Office

Turnberry Hotel
Ayrshire KA26 9LT

Solicitors

Maclay, Murray & Spens LLP
1 George Square
Glasgow G2 1AL

Directors' report

The directors present their report and financial statements for the year ended 31 December 2010.

Results and dividends

The loss for the year, after taxation, amounted to £7,955,000 (2009 – loss of £46,120,000). The directors do not recommend the payment of any dividends (2009 – £nil).

Principal activities and review of the business

The company's principal activity during the year continued to be that of the operation of the Turnberry Resort and associated leisure facilities.

The company's key financial and other performance indicators during the year were as follows:

	2010	*2009*
	£000	*£000*
Turnover	11,802	6,482
EBITDA	(1,872)	(7,232)
Loss after tax	(7,955)	(46,120)
Customer satisfaction (score out of 10)	8.79	8.38

The company's revenue increased in 2010 reflecting a full year of income following the resort re opening after major refurbishment in 2009. However, the decline in global corporate / leisure travel for resort properties continued to have an impact. The company continues to review processes in all areas in order to maximise efficiency and contain costs. The directors are also reviewing potential development options to further enhance the resort.

Customer satisfaction is a key performance indication to the company and all customer questionnaires are completed through an independent third party as part of Starwood, the operator program. Customer satisfaction has remained at a high level.

When there is an indicator that a non-financial asset might be impaired, the company follows the guidance of Financial Reporting Standard 11, which requires the company to determine the recoverable amount, which is the higher of the fair value less cost to sell and the value in use. Based on an impairment test performed as of 31 December 2010, the company recognised an impairment charge of £2,790,000 on tangible fixed assets (2009 - £34,623,000).

Going Concern

The Company's principal activity and review of the business are set out in the Directors' report above. In addition, the principal risks and uncertainties are noted below.

The company had net current liabilities as at 31 December 2010 and is dependent on continuing finance being made available by its intermediate parent company to enable it to continue operating and to meet its liabilities as they fall due. The directors have drawn up the financial statements on a going concern basis as Istithmar World PJSC, the intermediate parent undertaking has confirmed it will provide all necessary financial support to the company for the foreseeable future to enable it to continue trading and to meet its financial obligations as they fall due and for at least a period of 12 months from the date of signing of the financial statements.

The financial statements for Istithmar World PJSC for the year ended 31 December 2010 disclose a fundamental accounting concept note and emphasis of matter paragraph in the independent auditors' report outlining the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern. Notwithstanding this the financial statements have been prepared on a going concern basis.

Directors' report

The notes to the Istithmar World PJSC financial statements make the following disclosure:

Fundamental accounting concept

A fundamental principle of the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) is the assumption that an entity will continue in existence as a going concern, which contemplates continuity of operations and the realisation of assets and settlement of liabilities occurring in the ordinary course of business. This principle is applicable to all entities except for entities in liquidation or entities for which liquidation appears imminent. In accordance with this requirement, the Company's management has prepared the consolidated financial statements on a going concern basis as the management have no intention to liquidate notwithstanding the net loss incurred by the Group amounting to AED 173,391 thousand during the year ended 31 December 2010 and the fact that, as of that date, the Group has current liabilities of AED 15,731,325 thousand which exceed current assets of AED 10,447,067 thousand by AED 5,284,258 thousand.

During the year ended 31 December 2010, the Group generated significant liquidity from the sale of investments generating AED 2,839,861 thousand of realised proceeds (2009: AED 1,301,308 thousand). The Group also had cash and cash equivalents amounting to AED 1,632,490 thousand as of 31 December 2010. Subsequent to the year end, the Group has sold investments generating AED 1,801,341 thousand of realised proceeds. The Group has sold and expects to continue to sell select investments at attractive prices in order to generate additional liquidity so that it can de-lever its statement of financial position. The Group is expected to generate positive cash flow from operating and investing activities, significantly mitigating the risk of a forced liquidation.

There is, however, a material uncertainty related to events or conditions which may cast significant doubt on the entity's ability to continue as a going concern and to realise its assets and discharge its liabilities in the normal course of business. The Group did not include any adjustments to the consolidated financial statements to reflect the possible future effects that may result from this uncertainty surrounding its ability to continue as a going concern because the management believes that the steps described and executed below are reasonable and appropriate to address the conditions discussed above.

During 2009, the management had active discussions with its Parent Company and Ultimate Parent Company and negotiated a comprehensive restructuring of the unsecured debt. The principal terms of its restructuring of the debt are set out below:

- Debts due to the Ultimate Parent Company of AED 22,833,539 thousand were assigned by the Ultimate Parent Company to the Parent of the Group;
- The Loan which is consequently now due to the parent company, is unsecured and does not carry any interest. The Parent Company has subordinated this Loan to the claims of all other creditors of the Group;
- The repayment of this Loan is at the discretion of the Company; and
- The Parent Company acknowledges and agrees that it does not have the right to demand earlier repayment of the Loan.

On the basis of their assessment of the Company's financial position and of the enquiries made of the Directors of Istithmar World PJSC, the Company's Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future and at least for a period of 12 months from the date of signing of the accounts. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors' report

Principal risks and uncertainties

The company continues to look at risks and uncertainties during its budgeting process and monthly strategic meetings.

Competitive risks

The company operates at the upper end of the competitive Scottish resort market. Risks are possible from either new competitor openings, but in the main from existing competitors investing in product refurbishments and expansion and competitive price pressure as a result of economic decline.

The company and group have engaged in cost-reduction and expense control techniques and have focussed on re-development activities that are profitable which will increase the value of the property.

Economic risks

The company is reliant on healthy economies in all its major markets; being UK, USA and Europe. The continued economic upheaval, in particular in the US, poses some risk to the high end market as individuals experience reduced disposable income and companies look for cost saving exercises.

As a result, the company has stalled its international expansion plans in the foreseeable future.

Exchange rate risks

A significant element of the company's revenues is dependent on non-UK based businesses. Adverse exchange rate fluctuations of major currencies (specifically Euro) are a potential risk to the company.

Management has set up policies to require the company and group to manage its foreign currency risk against its functional currency. The company is required to hedge its foreign currency exposure, wherever applicable. To manage its foreign currency risk arising from future commercial transactions and recognised assets and liabilities, the company use forward contracts.

Liquidity risk

Liquidity risk is the risk that the company will have insufficient debt facilities to meet future obligations. The company aims to mitigate liquidity risk by managing cash generation by its operations. Further, the company regularly reviews its borrowing facilities to ensure funds are available to meet planned debt requirements plus a contingency.

Future developments

The directors are reviewing potential development options to further enhance the resort.

The first phase of the refurbishment of the hotel was completed in July 2009. The refurbishment has changed the resort from a Westin to Luxury collection. As a result of the investment and re-branding of the resort to a Luxury Collection, despite the continued adverse economic conditions, the directors remain optimistic that the company will deliver growth over future years.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees. The company is an equal opportunities employer.

The company recognises the high standards required to ensure the health, safety and welfare of its employees at work, its customers and the general public. Company policies in this regard are regularly reviewed with the objective of ensuring that these standards are achieved.

Employee involvement

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various matters affecting the performance of the company. This is achieved through formal and informal meetings.

Directors' report

Directors

The directors who served the company during the year are listed below:

Tony Charles Sole	(resigned 1 February 2010)
Abdul Wahid Al Ulama	(resigned 1 February 2010)
Mark Bennett Troy	(appointed 1 February 2010)
Hamza Ali Abdullatif Mustafa	(appointed 1 February 2010)

Statement as to disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to have made himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

Following a formal external audit tender process, a resolution to appoint Pricewaterhouse Coopers' LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the board

Hamza Ali Abdullatif Mustafa
Director

26 September 2011

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of SLC Turnberry

We have audited the financial statements of SLC Turnberry Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report to identity any material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditors' report

to the members of SLC Turnberry

Emphasis of matter

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in Note 1 to the financial statements concerning the company's ability to continue as a going concern.

The disclosure in note 1 indicates that a material uncertainty exists which may cast significant doubt over the group's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the company was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Annie Graham (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Glasgow

29 September 2011

Profit and loss account

for the year ended 31 December 2010

	Notes	2010 £000	2009 £000
Turnover	2	11,802	6,482
Cost of sales		(7,707)	(7,774)
Gross profit / (loss)		4,095	(1,292)
Administrative expenses			
– Before exceptional items		(7,539)	(8,838)
– Impairment of tangible fixed assets	3	(2,790)	(34,623)
		(10,329)	(43,461)
Operating loss	4	(6,234)	(44,753)
Interest payable and similar charges	7	(2,272)	(2,174)
Other finance costs	8	(19)	(1)
Loss on ordinary activities before taxation		(8,525)	(46,928)
Tax credit on loss on ordinary activities	9	570	808
Loss for the financial year		(7,955)	(46,120)

The results have been derived wholly from continuing operations in both years.

Statement of total recognised gains and losses

for the year ended 31 December 2010

	2010 £000	2009 £000
Loss for the financial year	(7,955)	(46,120)
Actuarial loss recognised on the pension scheme	(209)	(227)
Total losses for the financial year	(8,164)	(46,347)

Balance sheet

at 31 December 2010

	Notes	2010 £000	2009 £000
Fixed assets			
Tangible assets	10	21,560	25,000
Investments	11	3,331	3,331
		24,891	28,331
Current assets			
Stocks	12	242	195
Debtors	13	1,507	1,545
Cash at bank and in hand		857	443
		2,606	2,183
Creditors: amounts falling due within one year	14	(82,049)	(76,771)
Net current liabilities		(79,443)	(74,588)
Total assets less current liabilities		(54,552)	(46,257)
Creditors: amounts falling due after more than one year	15	(180)	(311)
		(54,732)	(46,568)
Net pension position	16	–	–
		(54,732)	(46,568)
Capital and reserves			
Called up share capital	19	–	–
Capital reserve	20	18,374	18,374
Profit and loss account	20	(73,106)	(64,942)
Equity shareholders' funds	20	(54,732)	(46,568)

Approved by the Board

Hamza Ali Abdullatif Mustafa
Director
26 September 2011

Notes to the financial statements

at 31 December 2010

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable UK accounting standards. The Company does not prepare consolidated financial statements as it takes advantage of the exemption provided under section 228 of the companies Act 2006. The company's financial statements present information about it as an individual undertaking and not about its group.

Going concern

The company had net current liabilities as at 31 December 2010 and is dependent on continuing finance being made available by its intermediate parent company to enable it to continue operating and to meet its liabilities as they fall due. The directors have drawn up the financial statements on a going concern basis as Istithmar World PJSC, the intermediate parent company has confirmed it will provide all necessary financial support to the company for the foreseeable future to enable it to continue trading and to meet its financial obligations as they fall due and for at least a period of 12 months from the date of signing of the financial statements.

The financial statements for Istithmar World PJSC for the year ended 31 December 2010 disclose a fundamental accounting concept note and emphasis of matter paragraph in the independent auditors' report outlining the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern. Notwithstanding this the financial statements have been prepared on a going concern basis.

The notes to the Istithmar World PJSC financial statements make the following disclosure:

"Fundamental accounting concept
A fundamental principle of the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) is the assumption that an entity will continue in existence as a going concern, which contemplates continuity of operations and the realisation of assets and settlement of liabilities occurring in the ordinary course of business. This principle is applicable to all entities except for entities in liquidation or entities for which liquidation appears imminent. In accordance with this requirement, the Company's management has prepared the consolidated financial statements on a going concern basis as the management have no intention to liquidate notwithstanding the net loss incurred by the Group amounting to AED 173,391 thousand during the year ended 31 December 2010 and the fact that, as of that date, the Group has current liabilities of AED 15,731,325 thousand which exceed current assets of AED 10,447,067 thousand by AED 5,284,258 thousand.

During the year ended 31 December 2010, the Group generated significant liquidity from the sale of investments generating AED 2,839,861 thousand of realised proceeds (2009: AED 1,301,308 thousand). The Group also had cash and cash equivalents amounting to AED 1,632,490 thousand as of 31 December 2010. Subsequent to the year end, the Group has sold investments generating AED 1,801,341 thousand of realised proceeds. The Group has sold and expects to continue to sell select investments at attractive prices in order to generate additional liquidity so that it can de-lever its statement of financial position. The Group is expected to generate positive cash flow from operating and investing activities, significantly mitigating the risk of a forced liquidation.

There is, however, a material uncertainty related to events or conditions which may cast significant doubt on the entity's ability to continue as a going concern and to realise its assets and discharge its liabilities in the normal course of business. The Group did not include any adjustments to the consolidated financial statements to reflect the possible future effects that may result from this uncertainty surrounding its ability to continue as a going concern because the management believes that the steps described and executed below are reasonable and appropriate to address the conditions discussed above.

During 2009, the management had active discussions with its Parent Company and Ultimate Parent Company and negotiated a comprehensive restructuring of the unsecured debt. The principal terms of its restructuring of the debt are set out below:

- Debts due to the Ultimate Parent Company of AED 22,833,539 thousand were assigned by the Ultimate Parent Company to the Parent of the Group;

Notes to the financial statements

at 31 December 2010

1. Accounting policies (continued)

- The Loan which is consequently now due to the parent company, is unsecured and does not carry any interest. The Parent Company has subordinated this Loan to the claims of all other creditors of the Group;
- The repayment of this Loan is at the discretion of the Company; and
- The Parent Company acknowledges and agrees that it does not have the right to demand earlier repayment of the Loan."

On the basis of their assessment of the Company's financial position and of the enquiries made of the Directors of Istithmar World PJSC, the Company's Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future and at least for a period of 12 months from the date of signing of the accounts. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Fixed assets

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Freehold buildings	–	40 years
Fixtures, fittings and equipment	–	2 to 20 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Investments

Fixed asset investments are shown at cost less provision for impairment.

Stocks

Stocks are stated at the lower of cost and net realisable value. Provision is made for obsolete, slow-moving or defective items where appropriate.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;

Notes to the financial statements

at 31 December 2010

1. Accounting policies *(continued)*

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts, are capitalised in the balance sheet and are depreciated over the shorter of lease term and their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term, even if the payments are not made on such a basis.

Pension schemes

For defined benefit schemes the amounts charged to operating profit are the current service costs and any gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are charged to operating profit immediately if the benefits have vested. If the benefits have not vested immediately, the costs are recognised by equal annual instalments until vesting occurs. The interest cost and the expected return on assets are included as other finance costs. Actuarial gains and losses net of deferred tax are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are either externally funded, with the assets of the scheme held separately from those of the company in separate trustee administered funds, or are unfunded. Pension scheme assets are measured at fair value, and liabilities are measured on an actuarial basis and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. Full actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

Statement of cash flows

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a statement of cash flows in the financial statements on the grounds that the company is wholly owned and its parent publishes consolidated financial statements.

2. Turnover

Turnover comprises amounts derived from the provision of goods and services falling within the company's ordinary activities after deduction of value added tax, other sales related taxes and trade discounts. Turnover arises solely from the company's principal activity within the United Kingdom.

3. Exceptional items

Included in operating loss

	2010	*2009*
	£000	*£000*
Impairment of tangible assets	2,790	34,623

Notes to the financial statements

at 31 December 2010

3. Exceptional items *(continued)*

When there is an indicator that a non-financial asset might be impaired, the Company follows the guidance of Financial Reporting Standard 10, which requires the Company to determine the recoverable amount, which is the higher of the fair value less cost to sell and the value in use. Based on an impairment test performed as of 31 December 2010, the Company recognised an impairment charge of £2,790,000 (2009: £34,623,000).

4. Operating loss

This is stated after charging/(crediting):

	2010	*2009*
	£000	*£000*
Auditors' remuneration – audit services	67	60
Depreciation of owned fixed assets	1,542	2,838
Impairment of building	2,790	34,623
Depreciation of assets held under finance leases and hire purchase contracts	30	60
Operating lease rentals – plant and machinery	178	142
Rental income	-	(6)

5. Directors' emoluments

	2010	*2009*
	£000	*£000*
Emoluments	–	–

	2010	*2009*
	No.	*No.*
Members of defined benefit pension schemes	–	–

There was no directors' remuneration in the year.

6. Staff costs

	2010	*2009*
	£000	*£000*
Wages and salaries	5,514	5,584
Social security costs	445	428
Other pension costs	46	25
	6,005	6,037

Notes to the financial statements

at 31 December 2010

6. Staff costs *(continued)*

The monthly average number of employees during the year was made up as follows:

	2010	*2009*
	No.	*No.*
Operating employees	230	240
Administrative employees	30	28
	260	268

7. Interest payable and similar charges

	2010	*2009*
	£000	*£000*
On intercompany loans	2,254	2,161
Finance charges payable under finance leases and hire purchase contracts	17	13
	2,271	2,174

8. Other finance income / (costs)

	2010	*2009*
	£000	*£000*
Expected return on pension scheme assets	253	239
Interest on pension scheme liabilities	(272)	(240)
	(19)	(1)

9. Tax

(a) Tax credit on loss on ordinary activities

	2010	*2009*
	£000	*£000*
Current tax:		
Group relief receivable	–	(808)
Adjustment in respect of prior years	(570)	–
Total current tax credit (note 10(b))	(570)	(808)

Notes to the financial statements

at 31 December 2010

9. Tax *(continued)*

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities is lower than the standard rate of corporation tax in the UK of 28% (2009 – 28%). The differences are reconciled below:

	2010	*2009*
	£000	*£000*
Loss on ordinary activities before taxation	(8,525)	(46,928)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009 – 28 %)	(2,387)	(13,140)
Effects of:		
Expenses not deductible/(income not taxable) for tax purposes	1,148	5,345
Capital allowances in advance of depreciation	(501)	–
Group relief surrendered for payment	–	(808)
Adjustment in respect of prior years	(570)	–
Unrelieved tax losses carried forward	1,793	7,854
Pension provision	(53)	–
Adjustment to deferred tax in prior years	–	(59)
Total current tax credit (note 9(a))	(570)	(808)

(c) Deferred tax

Deferred tax is provided at 27% for the current year (2009 – 28%) in the financial statements as follows:

	2010	*2009*
	£000	*£000*
Accelerated capital allowances	–	898
Trading losses	–	(898)
	–	–

Notes to the financial statements

at 31 December 2010

9. Tax *(continued)*

The company has further trading losses carried forward resulting in a deferred tax asset of £9.8m (2009 – £15.6m). This is not recognised as there is no certainty of suitable taxable profits in the future against which the losses can be offset.

(d) Factors that might affect future tax charges

It was announced in the Budget of 22 June 2010 and subsequent on 23 March 2011 that the UK corporation tax rate will reduce from 28% to 23% over four years. This reduction in rate is to be made by way of a 2% reduction to 26% effective 1 April 2011, and a series of 1% reductions annually thereafter until the rate reaches 23% from 1 April 2014. There is also a proposed reduction in the main and special rates of capital allowances to 18% and 8% respectively for accounting periods ending after April 2012. It is not yet possible to fully quantify the full effect that the above changes will have, although this will reduce future cash tax payments to be made by the company.

10. Tangible fixed assets

	Freehold land and buildings £000	*Fixtures, fittings and equipment £000*	*Total £000*
Cost:			
At 1 January 2010	75,195	9,874	85,069
Additions	_	922	922
At 31 December 2010	75,195	10,796	85,991
Depreciation:			
At 1 January 2010	52,234	7,835	60,069
Provided during the year	751	821	1,572
Impairment	2,790	_	2,790
At 31 December 2010	55,775	8,656	64,431
Net book value:			
At 31 December 2010	19,420	2,140	21,560
At 31 December 2009	22,961	2,039	25,000

At 31 December 2010 the net book value of tangible fixed assets held under finance leases and hire purchase contracts was £233,889 (2009 – £305,855). Depreciation charged for the year on these assets amounted to £30,176 (2009 – £60,369).

When there is an indicator that a non-financial asset might be impaired, the Company follows the guidance of Financial Reporting Standard 10, which requires the Company to determine the recoverable amount, which is the higher of the fair value less cost to sell and the value in use. Based on an impairment test performed as of 31 December 2010, the Company recognised an impairment charge of £2,790,000 (2009: £34,623,000).

Notes to the financial statements

at 31 December 2010

11. Investments

	Subsidiary undertaking £000
Cost:	
At 1 January 2010 and 31 December 2010	3,331

The above investment represents the company's investment in the following subsidiary undertaking:

	Country of registration	*Principal activity*	*Description and proportion of share capital*
Nitto World Co. Limited	England	Non-trading	100% ordinary share capital

12. Stocks

	2010 £000	*2009 £000*
Food, drink and consumables	242	195

The directors consider that there is no significant difference between the balance sheet value and the replacement cost of stocks at the balance sheet date.

13. Debtors: amounts falling due within one year

	2010 £000	*2009 £000*
Trade debtors	461	328
Other debtors	808	1,052
Corporation tax	5	–
Prepayments and accrued income	225	157
Amounts owed by other group undertakings	8	8
	1,507	1,545

14. Creditors: amounts falling due within one year

	2010 £000	*2009 £000*
Obligations under finance leases and hire purchase contracts (note 17)	65	–
Trade creditors	1,317	1,539
Amounts owed to other group undertakings	79,891	74,969
Accruals and deferred income	776	263
	82,049	76,771

Notes to the financial statements

at 31 December 2010

14. Creditors: amounts falling due within one year *(continued)*

Amounts owed to other group undertakings includes a loan of £23,435,000 (2009 – £23,435,000) from Leisurecorp Scotland Limited. The loan is repayable on demand and attracts interest at 12 per cent per annum.

15. Creditors: amounts falling due after one year

	2010	*2009*
	£000	*£000*
Obligations under finance leases and hire purchases contract (note 17)	180	311
	180	311

16. Net pension position

The company provides pension arrangements for certain permanent employees through the Turnberry Hotel Pension Scheme.

On 31 March 2006, the scheme was closed to future accrual. The deficit in the scheme is being funded by contributions from the company.

The most recent actuarial valuation was as at 31 December 2010 and has been updated by a qualified actuary to take account of the requirements of FRS 17, in order to assess the liabilities of the scheme at 31 December 2010. Scheme assets are stated at their market value at the respective balance sheet dates.

The main assumptions are as follows:

	2010	*2009*
	%	*%*
Rate of increase in salaries	–	–
Rate of increase in pensions in payment	3.50	3.70
Rate of increase in deferred pensions	3.50	3.70
Discount rate	5.40	5.70
Inflation assumption	3.50	3.70
Increase in national average earnings	4.50	–

Notes to the financial statements

at 31 December 2010

16. Net pension position *(continued)*

	2010	*2009*
Expected rate of return of scheme assets:		
Equities	N/A	N/A
Bonds	5.30	5.60
Gilts	4.10	4.30
Cash	0.50	0.50
Life expectancy:		
Member age 65 (current life expectancy) – years	85	85
Member age 40 (current life expectancy) – years	86	86

The assets and liabilities of the scheme and the expected rate of return at 31 December are shown below. These are net of investment management expenses. As other expenses are paid separately by the Company, no account is taken of these.

	2010		*2009*	
	Long term rate of return expected	*Value*	*Long term rate of return expected*	*Value*
	%	*£000*	*%*	*£000*
Scheme assets at fair value				
Equities/property	N/A	–	N/A	–
Bonds	5.30	1,497	5.60	1,365
Gilts	4.10	4,467	4.30	4,139
Cash	0.50	24	0.50	–
Fair value of scheme assets		5,988		5,504
Present value of scheme liabilities		(5,223)		(4,867)
Defined benefit pension scheme surplus		765		637

The pension surplus has not been recognised as the Company is not expected to be able to recover the surplus.

Notes to the financial statements

at 31 December 2010

16. Net pension position *(continued)*

An analysis of the defined benefit cost for the year ended 31 December is as follows:

	2010	*2009*
	£000	*£000*
Other finance costs – expected return on pension scheme assets	253	239
Other finance costs – interest on pension scheme liabilities	(272)	(240)
Past service cost	(20)	–
Effect of paragraph 41 limit	20	–
Total other finance income	(19)	(1)

Included in the statement of total recognised gains and losses:

	2010	*2009*
	£000	*£000*
Actual return on scheme assets	455	455
Less*:* expected return on scheme assets	(253)	(239)
	202	216
Experience gains on scheme liabilities	27	62
Adjustment due to surplus cap	(765)	(637)
Loss arising from changes underlying the present value of the scheme liabilities	327	132
	(209)	(227)

Changes in the present value of the defined benefit obligations are analysed as follows:

	2010	*2009*
	£000	*£000*
As at 1 January	4,867	4,238
Interest cost	272	240
Past service cost	20	–
Actuarial loss	263	596
Benefits paid from scheme	(199)	(207)
As at 31 December	5,223	4,867

Notes to the financial statements

at 31 December 2010

16. Net pension position *(continued)*

Changes in the fair value of plan assets are analysed as follows:

	2010	*2009*
	£000	*£000*
As at 1 January	5,504	5,028
Expected return on scheme assets	253	239
Actuarial gain/ (loss) on scheme assets	202	216
Employer contributions	228	228
Benefits paid from scheme	(199)	(207)
As at 31 December	5,988	5,504

	2010	*2009*	*2008*	*2007*	*2006*
	£000	*£000*	*£000*	*£000*	*£000*
Fair value of scheme assets	5,988	5,504	5,028	4,925	4,572
Present value of defined Benefit obligation	(5,223)	(4,867)	(4,238)	(4,700)	(4,743)
Surplus in the scheme	765	637	790	225	(171)
Experience adjustments arising on plan liabilities	(202)	(216)	840	(32)	(154)
Difference between expected and annual return on scheme assets	(27)	(62)	(9)	77	(111)

17. Obligations under finance leases and hire purchase contracts

The maturity of these amounts is as follows:

	2010	2009
	£000	£000
Amounts payable:		
Within one year	65	–
In two to five years	180	311
	245	311
Less: finance charges allocated to future periods	–	–
	245	311

Finance leases and hire purchase contracts are analysed as follows:

	2010	2009
	£000	£000
Current obligations (note 14)	65	–
Non-current obligations (note 15)	180	311
	245	311

Notes to the financial statements

at 31 December 2010

18. Commitments under operating leases

At 31 December 2010 the company had annual commitments under non-cancellable operating leases as set out below:

	Assets other than land and buildings	
	2010	*2009*
	£000	*£000*
Operating leases which expire:		
Within one year	152	31
In two to five years	315	89
	467	120

19. Issued share capital

	2010	*2010*	*2009*	*2009*
	No.	*£000*	*No.*	*£000*
Allotted, called up and fully paid				
Ordinary shares of £1 each	2	–	2	–

20. Reconciliation of shareholders' funds and movement on reserves

	Share capital	*Capital redemption reserve*	*Profit and loss account*	*Total share-holders' funds*
	£000	*£000*	*£000*	*£000*
At 1 January 2009	–	18,374	(18,595)	(221)
Loss for the year	–	–	(46,120)	(46,120)
Actuarial loss recognised on pensions	–	–	(227)	(227)
At 31 December 2009	–	18,374	(64,942)	(46,568)
Loss for the year	–	–	(7,960)	(7,960)
Actuarial loss recognised on pensions	–	–	(209)	(209)
At 31 December 2010	–	18,374	(73,111)	(54,737)

21. Related party transactions

The company has utilised the exemption under FRS 8 as a wholly owned subsidiary not to disclose transactions with other entities that are part of, or investees of Leisurecorp LLC.

22. Ultimate parent undertaking

The immediate parent undertaking of the smallest such group is Leisurecorp Scotland Limited, a company registered in Scotland.

The ultimate parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the company is a member is Dubai World Corporation, a company incorporated in United Arab Emirates.

Copies of the financial statements of both companies can be obtained from Leisurecorp LLC, Jumeirah Golf Estates, Emirates Road, PO Box 262080, Dubai, United Arab Emirates.